

## SERVICE QUALITY GAP ANALYSIS IN THE INDIAN BANKING

### SECTOR- “A CUSTOMER PERSPECTIVE REVIEW”

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#### **ABSTRACT**

*Service quality plays a vital role in determining customer satisfaction. The difference in the expected service quality and the perceived service quality is the gap basis the SERVQUAL model developed by Parasuram et al., (1985) in which there are five criteria for finding the gap between the expectation and perception which are tangibility, service quality, assurance, responsiveness and reliability. The objective of the paper is to identify the gap between the expectation and perception of the Indian customers regarding the Banking system of India.*

*Data was collected from 250 banking customers in India using a structured questionnaire.*

*Gap analysis and Paired sample T-test were used for the analysis of data. The study helped in finding out the gaps in the banking system and what the banks could improve upon to provide better customer satisfaction.*

**KEYWORDS:** Banking, Service Quality, Gap Model, SERVQUAL & Service Gap

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#### **INTRODUCTION**

The current market competition for the banks in the industry is very fierce as customers are constantly demanding the best of services for their bucks and are no more reluctant to switch banks for a greater experience. Banks are trying their best to fit to the requirements of the customers and to bridge the customer expectation and perception gap so as to retain their services and add more customers to their portfolio. Providing excellent services and timely responses are few of the key factors which customers have in their minds for the bank that they are currently associated with. Quality of Service provided is difficult and complicated to define and measure because of its intangible nature but few steps could be taken to improve the current structure of services provided by understanding customer opinions and their ever-changing demands.

Service quality is defined as the difference between customer's expectations for service performance prior to the service encounter and their perceptions of the service received. (Asubonteng et al.,1996). It is important to see the services and change them according to the needs and requirements of the customer to stay ahead of the competitors. Service quality thus is the difference between what a customer expects from the bank and what he perceives of the service after it has been availed.

#### **LITERATURE REVIEW**

The study by Koushiki Choudhury (2007) submits that customers distinguish four measurements of service quality in the case of the retail banking industry in India, that is attitude, competence, tangibles and

convenience. Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of insufficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regard. Another study by Sandip Gosh Hasra and BL Srivastava (2009) indicated that the bank should consider the dimensions of service quality and pay more attention to dimension of assurance-empathy to increase willingness to pay, loyalty to a company, customer commitment and customer trust. Al-Fazwan (2005) bank should concentrate on accessibility dimension the study stated that the bank should take maximum efforts to raise the level of services to meet out the customer expectations.

The economic, social, cultural and religious factors also influence the banking industry Obbe (1980). Personal skills, reliability, values, and image are important determinants of service quality in banks, Jabnoun and Khalifa (2005). It was found that customers of public sector banks are more satisfied with the service quality than those of private sector banks Meng iPooja (2009). Zillur Rahman (2005) examined the association between the perceived and expected service quality among banking services consumers.

## OBJECTIVES

- To study service quality gaps (difference between perceptions and expectations of services by customers) in the Indian banking sector.
- Which dimension is doing well among all five dimensions (tangible, reliability, responsiveness, assurance and empathy) in the banking sector.
- To identify the areas that need to be improved to deliver a superior quality of service.

## RESEARCH METHODOLOGY

Convenience sampling method was used to collect primary data for the study. A questionnaire was floated among demographics with different age groups ranging from below 18 years of age to 50 years. SERVQUAL questionnaire was administered containing two sections, customer expectation and customer perception. It contained responses from different gender and groups including teenagers, millennials and middle-aged people about their expectations and level of service received at a bank. From the responses we identified the gaps in the customer experience received and the level expected. A total of 247 responses were received. Responses received was analysed by using T-test and Multiple Regression Analysis in SPSS.

## Hypothesis

**H0:** There is no significant quality gap in the perception and expectation of service in the Indian Banking Sector.

**H1:** There is a significant quality gap in the perception and expectation of services in the Indian Banking Sector

## Data Analysis

The questionnaire focused on the aspect of the level of service expected by the customers and the level of services received. The focus is on finding out the gaps in the service provided by the bank. The questionnaire focuses on the four major aspects: Tangibility, Reliability, Responsiveness, Assurance, Empathy. We ran a paired sample t test using SPSS for tangibility, reliability, responsiveness, assurance and empathy and the following results were obtained.

### Tangibility

This factor had 2 parts, one of expectation of service and second the service received, each having 4 questions.

**Table 1**

Paired Samples Test									
		Paired Differences							
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1	V4 - V8	.750	1.261	.080	.592	.908	9.369	247	.000
Pair 2	V5 - V9	.181	1.222	.078	.029	.334	2.338	247	.020
Pair 3	V6 - V10	.306	1.427	.091	.128	.485	3.383	247	.001
Pair 4	V7 - V11	.540	1.001	.064	.415	.666	8.499	247	.000

### Reliability

This factor had 2 parts one of expectation of service and second of the service received, each having 4 questions each.

**Table 2**

Paired Samples Test									
Paired Differences									
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	V12 - V16	.867	1.228	.078	.713	1.021	11.116	247	.000
Pair 2	V13 - V17	.738	1.503	.095	.550	.926	7.732	247	.000
Pair 3	V14 - V18	.766	1.121	.071	.626	.906	10.762	247	.000
Pair 4	V15 - V19	.673	1.305	.083	.510	.837	8.127	247	.000

### Responsiveness

This factor had 2 parts one of expectation of service and second of the service received, each having 4 questions each.

**Table 3**

Double-click to activate

Paired Samples Test

		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	V20 - V24	.536	.952	.060	.417	.655	8.875	247	.000
Pair 2	V21 - V25	1.004	1.336	.085	.837	1.171	11.833	247	.000
Pair 3	V22 - V26	.940	1.388	.088	.766	1.113	10.657	247	.000
Pair 4	V23 - V27	.770	1.269	.081	.611	.929	9.556	247	.000

### Assurance

This factor had 2 parts one of expectation of service and second of the service received, each having 4 questions each.

Table 4

Paired Samples Test								
		Paired Differences						
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df
					Lower	Upper		Sig. (2-tailed)
Pair 1	V28 - V32	.556	1.209	.077	.405	.708	7.246	247
Pair 2	V29 - V33	.625	1.295	.082	.463	.787	7.601	247
Pair 3	V30 - V34	.698	1.156	.073	.553	.842	9.500	247
Pair 4	V31 - V35	.685	1.252	.080	.529	.842	8.619	247

### Empathy

This factor had 2 parts one of expectation of service and second of the service received, each having 4 questions each.

Table 5

Paired Samples Test								
		Paired Differences						
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df
					Lower	Upper		Sig. (2-tailed)
Pair 1	V36 - V40	.722	1.152	.073	.578	.866	9.867	247
Pair 2	V37 - V41	.798	1.431	.091	.619	.977	8.785	247
Pair 3	V38 - V42	.750	1.368	.087	.579	.921	8.631	247
Pair 4	V39 - V43	.649	1.208	.077	.498	.800	8.463	247

The Significant value of all the pairs are less than 0.05, hence we will use all of the factors.

### Gap Analysis

Table 6

Tangibility	Expected	Received	Gap
Physical facility and technology at the bank	3.94	3.19	0.75
Materials associated with service are visually appealing	3.56	3.38	0.18
Neat & professional appearance of employees	3.79	3.48	0.31
Up-to date equipments	3.96	3.42	0.54

Now, we will figure out the average gap between the expected and receive service under each factor.

The factor **tangibility** with averages and the gap between the services received and expected.

Table 7

Reliability	Expected	Received	Gap
Banks are able to provide the service on time promised	4.10	3.23	0.87
Service provided consistently	3.97	3.23	0.74
Service is provided right the first time	4.05	3.28	0.77
Banks shows a sincere interest in solving customer problems	3.93	3.25	0.67

The factor Reliability with averages and the gap between the services received and expected.

**Table 8**

Responsiveness	Expected	Received	Gap
Intimation to customers as to when the service will be provided	3.96	3.42	0.54
Providing service promptly	4.13	3.12	1.00
Willingness of bank employees to help customer	4.02	3.08	0.94
Staff is always available for customer service	4.01	3.24	0.77

The factor Responsiveness with averages and the gap between e services received and expected

**Table 9**

Assurance	Expected	Received	Gap
Employees of bank have adequate knowledge to answer questions	3.97	3.41	0.56
Employees instils confidence in customer	3.95	3.33	0.63
Customers feel safe while making a transaction	3.97	3.27	0.70
Employees are consistently courteous with customers	4.00	3.31	0.69

The factor Assurance with averages and the gap between the services received and expected.

**Table 10**

Empathy	Expected	Received	Gap
Employees understands the specific needs of customers	4.02	3.30	0.72
Each customer is given individual attention	4.04	3.24	0.80
Convenient operating hours	3.93	3.18	0.75
Bank provides individual attention to customer	3.95	3.30	0.65

The factor Empathy with averages and the gap between the services received and expected.

The largest gap is seen in the promptness of the service provide whereas, least gap is found in the neat and professional appearance of the employees. Responsiveness, Reliability and Empathy have the relatively higher averages in gap analysis where as tangibility and assurance does better.

### Multiple Regressions Analysis

According to the analysis the model is able to predict 48.8 of the value of the model. Received service being a dependent variable and expected being independent variable.

**Table 11**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.488 <sup>a</sup>	.238	.196	.093
a. Predictors: (Constant), Expected				

The model being Received = 4.972-.427\*Expected Since significant value of all the pairs are less than 0.05, we reject the null hypothesis.

Table 12

Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.972	.712		6.986	.000
	Expected	-.427	.180	-.488	-2.374	.029

a. Dependent Variable: Perceived

## CONCLUSIONS

From the study it is evident that there exists a gap in the functioning of the backings and which has given room for the wide gap between the customer expectations and their level of satisfaction they perceive out of the service provided by the bank. Though there is utmost importance attached to the Technology up gradation in the Banking sector, the findings of the study clearly reveal that the highest gap is related to the new technology adoptions in the Bank. Banks need to upgrade themselves to the latest state of art technology suitable for the current context and to meet the expectations of the customers they need to immediately swing into action. The ambiance and infrastructure should be again accorded greater importance as this remains to be the on the priority preference of the customer and is a prime parameter that affects the level of satisfaction of service of the customers. The operational aspects of the banks in terms of the time of operations, the availability of staff to provide the right services at the right time and more importantly show consistent improvements in delivering timely services to the customers. Another important finding of the study is on the responsiveness of the staff of the Banks and the swiftness in offering prompt services ensures better satisfaction of the customers. The findings of the study also indicates that the customers are attaching very high importance to the safety and security aspects of their cash, documents and data which they have shared with the banks, in some cases there has been a breach of agreements and which has given room for the dissatisfaction to the customers of the banks. Though the Banks need to maintain the decorum of equal treatments to all the customers, there are some of the customers who are expecting a better treatment and preferential treatment which would also enhance the customer satisfaction in a big way.

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